

Atty. Docket No. DE9-1999-0077  
(590.161)

REMARKS

In the Office Action dated July 20, 2006, pending Claims 1, 3-8, 10-14, 16, and 18-23 were rejected and the rejection made final; of these Claims, 1, 10, and 12 are independent claims. The Office is respectfully requested to reconsider the rejections present in the outstanding Office Action in light of the following remarks.

Specifically, Claims 1, 3-5, 8 and 18-19 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Kravitz in view of Herlin et al.(hereinafter "Herlin"). Claims 6, 7, 10-13, and 21-22 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Kravitz in view of Herlin and in further view of Martino. Claim 16 stands rejected under 35 U.S.C. §103(a) as being unpatentable over Kravitz in view of Herlin and in further view of Ritter. Finally, claims 14, 20, and 23 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Kravitz in view of Herlin and Martino and in further view of Farrugia et al. (hereinafter "Farrugia").

The comments made in the previous Amendment are equally applicable here and are incorporated by reference. In the last Office Action, however, the Office responded to the previous remarks by noting that

The examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. Emphasis added. See *In re fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, one of ordinary skill in the art would be motivated to modify *Kravitz* to facilitate secure payment, as set forth by *Herlin* at Col. 10, line 40 to Col.

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12, line 30. This motivation is given above, and was given in the prior office action. Applicant makes no substantive comment on this motivation, merely asserting incorrectly that the motivation must be found in the references themselves. Applicant fails to note that artisans working in the financial payment art continually seek new mechanisms for such payment; use of cellular technology is an obvious and effective way to facilitate payment and draw customers. See the *Gallagher* reference fro [sic] support of these comments.

Unfortunately for the Office, in the two cases cited in the Office Action, the Federal Circuit reversed the decision of the Board and found the claims at issue to be non-obvious. Furthermore, the Office ignores *In re Lee*, 277 F.3d 1338 (Fed. Cir. 2002), in which the Court held,

In its decision on Lee's patent application, the Board rejected the need for "any specific hint or suggestion in a particular reference" to support the combination of the Nortrup and Thunderchopper references. Omission of a relevant factor required by precedent is both legal error and arbitrary agency action. See Motor Vehicle Manufacturers, 463 U.S. at 43 ("an agency rule would be arbitrary and capricious if the agency . . . entirely failed to consider an important aspect of the problem"); Mullins v. Department of Energy, 50 F.3d 990, 992 (Fed. Cir. 1995) ("It is well established that agencies have a duty to provide reviewing courts with a sufficient explanation for their decisions so that those decisions may be judged against the relevant statutory standards, and that failure to provide such an explanation is grounds for striking down the action."). As discussed in National Labor Relations Bd. v. Ashkenazy Property Mgt. Corp., 817 F.2d 74, 75 (9th Cir. 1987), an agency is "not free to refuse to follow circuit precedent."

The foundation of the principle of judicial deference to the rulings of agency tribunals is that the tribunal has specialized knowledge and expertise, such that when reasoned findings are made, a reviewing court may confidently defer to the agency's application of its knowledge in its area of expertise. Reasoned findings are critical to the performance of agency functions and judicial reliance on agency competence. See Baltimore and Ohio R. R. Co. v. Aberdeen & Rockfish R. R. Co., 393 U.S. 87, 91-92 (1968) (absent reasoned findings based on substantial evidence effective review would become lost "in the haze of so-called expertise"). The "common knowledge and common sense" on which the Board

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relied in rejecting Lee's application are not the specialized knowledge and expertise contemplated by the Administrative Procedure Act. Conclusory statements such as those here provided do not fulfill the agency's obligation. This court explained in Zurko, 258 F.3d at 1385, 59 USPQ2d at 1697, that "deficiencies of the cited references cannot be remedied by the Board's general conclusions about what is 'basic knowledge' or 'common sense.'" The Board's findings must extend to all material facts and must be documented on the record, lest the "haze of so-called expertise" acquire insulation from accountability. "Common knowledge and common sense," even if assumed to derive from the agency's expertise, do not substitute for authority when the law requires authority. See Allentown Mack, 522 U.S. at 376 ("Because reasoned decisionmaking demands it, and because the systemic consequences of any other approach are unacceptable, the Board must be required to apply in fact the clearly understood legal standards that it enunciates in principle . . .")

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In finding the relevant facts, in assessing the significance of the prior art, and in making the ultimate determination of the issue of obviousness, the examiner and the Board are presumed to act from this viewpoint. Thus when they rely on what they assert to be general knowledge to negate patentability, that knowledge must be articulated and placed on the record. The failure to do so is not consistent with either effective administrative procedure or effective judicial review. The board cannot rely on conclusory statements when dealing with particular combinations of prior art and specific claims, but must set forth the rationale on which it relies.

(emphasis added)

The attempt at relying upon the *Gallagher* patent to support the comments of the Office is misplaced, as this patent was filed after the priority date of the present application. Simply stated, the Office has not met its burden of showing a prima facie case of obviousness and the rejections should be withdrawn.

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In summary, it is respectfully submitted that the instant application, including Claims 1, 3-8, 10-14, 16, and 18-23, is presently in condition for allowance. Notice to the effect is hereby earnestly solicited.

If there are any further issues in this application, the Examiner is invited to contact the undersigned at the telephone number listed below. The undersigned attempted to contact the Examiner to schedule an interview prior to the submission of this Amendment After Final, but was unable to do so. Nonetheless, the undersigned would welcome an opportunity to discuss the present case with the Examiner prior to action on this Amendment After Final.

Respectfully submitted,



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